

Independent Auditor's Report

Continental Gateway Authority

Year Ended June 30, 2021

**CONTINENTAL GATEWAY AUTHORITY
PURCELL, OKLAHOMA
June 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Trustees
Continental Gateway Authority
Purcell, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the business-type activities of Continental Gateway Authority, Purcell, Oklahoma, a component unit of McClain County as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

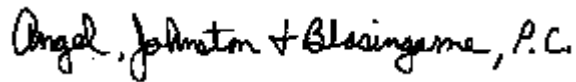
In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the business-type activities of the Continental Gateway Authority, Purcell, Oklahoma as of June 30, 2021, and the changes in modified cash basis financial position, and cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Chickasha, Oklahoma
November 8, 2021

CONTINENTAL GATEWAY AUTHORITY
Statement of Net Position
Modified Cash Basis
June 30, 2021

ASSETS

Current Assets

Cash and cash equivalents	\$ 457,689
<i>Total Current Assets</i>	<u>457,689</u>

Non Current Assets

Land	1,982,709
Other capital assets, net of depreciation	<u>176,386</u>
<i>Total Non Current Assets</i>	<u>2,159,095</u>
 <i>Total Assets</i>	 <u><u>2,616,784</u></u>

LIABILITIES

<i>Total Liabilities</i>	<u><u>-</u></u>
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NET POSITION

Net investment in capital assets	2,159,095
Unrestricted	<u>457,689</u>
 <i>Total Net Position</i>	 \$ <u><u>2,616,784</u></u>

The accompanying notes are an integral part of the financial statements.

CONTINENTAL GATEWAY AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
Modified Cash Basis
For the Year Ended June 30, 2021

Operating Revenues

Land Leases	\$ 14,050
Rent	11,609
Miscellaneous	26,391
<i>Total Operating Revenues</i>	<u>52,050</u>

Operating Expenses

Advertising	4,897
Insurance	2,695
Parts	415
Professional fees	95,666
Repairs and maintenance	17,118
Utilities	656
Depreciation Expense	24,315
<i>Total Operating Expenses</i>	<u>145,762</u>

<i>Operating Income (Loss)</i>	<u>(93,712)</u>
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Non-Operating Revenues (Expenses)

<i>Total Non-Operating Revenues (Expenses)</i>	<u>-</u>
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<i>Change in Net Position</i>	<u>(93,712)</u>
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<i>Net Position - Beginning of Year</i>	<u>2,710,496</u>
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<i>Net Position - End of Year</i>	<u><u>\$ 2,616,784</u></u>
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The accompanying notes are an integral part of the financial statements.

CONTINENTAL GATEWAY AUTHORITY
Statement of Cash Flows
Modified Cash Basis
For the Year Ended June 30, 2021

Cash flows from operating activities

Receipts from customers	\$ 52,050
Payment to vendors	<u>(121,447)</u>
<i>Net cash provided (used) by operating activities</i>	<u>(69,397)</u>

Cash flows from capital and related financing activities

<i>Net cash provided by (used for) capital and related financing activities</i>	<u>-</u>
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<i>Net increase (decrease) in cash and cash equivalents</i>	(69,397)
<i>Cash and cash equivalents at beginning of year</i>	<u>527,086</u>
<i>Cash and cash equivalents at end of year</i>	<u><u>\$ 457,689</u></u>

Reconciliation of operating income (loss) to net cash provided (used) by operating activities

Operating income (loss)	\$ (93,712)
Adjustment to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	<u>24,315</u>
<i>Net cash provided by (used for) operating activities</i>	<u><u>\$ (69,397)</u></u>

The accompanying notes are an integral part of the financial statements.

CONTINENTAL GATEWAY AUTHORITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

Note 1 – Summary of Significant Accounting Policies

1.A. Financial Reporting Entity

Continental Gateway Authority, a public trust, was organized on April 21, 1997, to assist the beneficiary, governmental agencies and private enterprises in the development of McClain County, Oklahoma, by participating to the greatest degree possible in promoting and encouraging the general economic and social development within McClain County. The Trust may make financial inducements or take any other necessary action to attract and retain business and industry to McClain County so long as such actions are consistent with state and federal statutes and constitutional limitations. In the event that the trust may terminate, McClain county will receive all resident trust assets.

Related Organizations

McClain County – McClain County is the beneficiary of this public trust. The elected McClain County Commissioners are the Authority's Trustees. Therefore, the Authority is considered to be a component unit of McClain County.

The accompanying financial statements include all functions and activities over which the Authority exercises financial accountability. Continental Gateway Authority is a component unit of the governmental entity of McClain County, Oklahoma. McClain County's financial information is not presented in these financial statements. McClain County financial audits are readily obtainable at, www.sai.ok.gov, the State Auditor's website.

1.B. Basis of Presentation

The Authority's fund is an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. All activities of the Authority are business-type activities. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

1.C. Measurement Focus and Basis of Accounting

Measurement focus refers to how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

The Authority's financial statements use the economic resources measurement focus and are presented on the modified cash basis of accounting. Revenues are recognized when they are received and expenses are recorded when paid with the following modifications:

CONTINENTAL GATEWAY AUTHORITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

Note 1 – Summary of Significant Accounting Policies, (continued)

1.C. Measurement Focus and Basis of Accounting (continued)

- Capital assets are recorded when purchased and related depreciation is recorded.

This basis is a basis of accounting other than accounting principles generally accepted in the United States of America. If the Authority utilized the basis of accounting recognized as generally accepted, the financial statements would use the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred.

1.D. Assets, Liabilities and Net Position

Cash & Cash Equivalents - The Authority considers all cash on hand, demand deposits, interest bearing checking accounts and time deposit accounts including certificates of deposit and U.S. Treasury bills with maturities of three months or less to be cash and cash equivalents.

Land - The Authority currently owns land valued at \$1,982,709.

Capital Assets - Capital assets acquired are capitalized and stated at cost. Depreciation of exhaustible capital assets is recorded as an expense over the estimated useful lives using the straight-line method of depreciation. The Authority has no policy on capitalization; assets are capitalized based on Board judgement. The range of estimated useful lives by type of asset is as follows:

Equipment & Furniture	5 – 10 years
Capital Improvements	20 years

Net Position – Net Position is divided into three components:

- a. *Net Investment in Capital Assets* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributed to the acquisition, construction, or improvements of those assets.
- b. *Restricted net position* – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

CONTINENTAL GATEWAY AUTHORITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

Note 1 – Summary of Significant Accounting Policies, (continued)

1.D. Assets, Liabilities and Net Position (continued)

It is the Authority's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

1.E. Revenues and Expenses

Operating and Non-operating Revenues - Operating revenues are considered those whose cash flows are related to operating activities, while revenues related to financing, capital and investing activities are reported as non-operating.

Expenses - The Authority reports expenses relating to the use of economic resources.

1.F. Estimates

Certain estimates are made in the preparation of the modified cash basis financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management's best judgements and may vary from actual results.

Note 2 – Deposits, Investments and Collateral

Deposits and Investments - The Authority does not have a written investment policy that limits its investment choices. Investments are limited by *Oklahoma Statute* and declaration of trust.

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a written policy for custodial risk, but *Oklahoma Statutes* require collateral for all uninsured deposits of public trust funds in financial institutions. At June 30, 2021, the Authority was not exposed to custodial credit risk.

CONTINENTAL GATEWAY AUTHORITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

Note 3 – Capital Assets Activity

Capital asset activity for the fiscal year ended June 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Non-depreciable assets:				
Land	\$ 1,982,709	-	-	\$ 1,982,709
Total non-depreciable assets	<u>1,982,709</u>	<u>-</u>	<u>-</u>	<u>1,982,709</u>
Depreciable assets:				
Equipment	91,188	-	(5,228)	85,960
Improvements	<u>143,000</u>	<u>-</u>	<u>-</u>	<u>143,000</u>
Total depreciable assets	<u>234,188</u>	<u>-</u>	<u>(5,228)</u>	<u>228,960</u>
Less accumulated depreciation:				
Accumulated depreciation	<u>33,487</u>	<u>24,315</u>	<u>(5,228)</u>	<u>52,574</u>
Net depreciable assets	<u>200,701</u>	<u>(24,315)</u>	<u>-</u>	<u>176,386</u>
Net capital assets	<u>\$ 2,183,410</u>	<u>\$ (24,315)</u>	<u>\$ -</u>	<u>\$ 2,159,095</u>

Note 4 – Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health; and acts of God. The Authority manages these various risks of loss by securing commercial insurance.

Note 5 – Commitments and Contingencies

Pending Litigation, Claims and Assessments

Case No. CJ-2020-84 was filed June 8, 2020. The petition alleges that CGA breached a lease by leasing barns and selling pond water to third parties violating the exclusive use and benefit of the property. It is very early in the development of this case; however, it is somewhat likely the Plaintiff could be successful in this lawsuit, but significant discovery will be taking place to make the determination of this issue much more available. At this time, any estimate of determination of liability or the amount of damages would be very speculative; however, with this matter involving long term leases to multiple third parties, the potential damages in this matter could exceed \$350,000. This amount could change significantly either way depending upon how the issues are developed. The Court recommended a judicial Settlement Conference, to which the parties agreed and formally accepted the settlement on September 1, 2021. As of the date of the audit report, they are working on securing the final paperwork to completely resolve this matter.

CONTINENTAL GATEWAY AUTHORITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

Note 6 – Subsequent Events

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

***REPORT ON INTERNAL CONTROL
AND COMPLIANCE***

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Board of Trustees
Continental Gateway Authority
Purcell, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the business-type activities of the Continental Gateway Authority, Purcell, Oklahoma, a component unit of McClain County, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated, November 8, 2021. Our report on the financial statements disclosed, that, as described in Note 1 to the financial statements, the Authority prepares its financial statements on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Continental Gateway Authority, Purcell, Oklahoma's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in

internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses. 2021-001

Compliance and Other Matters

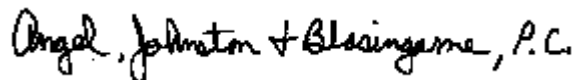
As part of obtaining reasonable assurance about whether Continental Gateway Authority, Purcell, Oklahoma, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2021-002.

Continental Gateway Authority, Purcell, Oklahoma's, Response to Findings

Continental Gateway Authority, Purcell, Oklahoma, Oklahoma's response to the findings identified in our audit is described in the attached corrective action plan. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Chickasha, Oklahoma
November 8, 2021

CONTINENTAL GATEWAY AUTHORITY
Schedule of Findings and Responses
For the Year Ended June 30, 2021

2021-001 *Criteria* – The segregation of duties and responsibilities between different individuals for custody of assets, record keeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the Authority’s assets and ensure accurate financial reporting.

Condition – The same individual performs all accounting functions; receives checks, makes bank deposits, writes checks and reconciles the monthly bank statements and prepares monthly financial summaries.

Cause – The Authority’s limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect – Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to the accounting functions, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation – While it may not be cost effective to hire the additional administrative staff that would be necessary in order to adequately segregate the responsibilities, the Board should consider a formal evaluation of their risks associated with this lack of segregation of duties. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of segregation of duties.

Management Response – See Corrective Action Plan.

2021-002 *Criteria* - In accordance with State Statutes (O.S. 60-176(H)) Public Trusts created pursuant to this section shall file annually, with their respective beneficiaries, copies of financial documents and reports sufficient to demonstrate the fiscal activity of such trust, including, but not limited to, budgets, financial reports, bond indentures, and audits.

Condition – The Authority did not file annual budgets with McClain County.

Cause – Oversight by management.

Effect or Potential Effect – The Authority is in violation of State Statutes.

Recommendation – The Authority trustees should ensure budgets are filed annually with the County.

Management Response – See Corrective Action Plan.

CONTINENTAL GATEWAY AUTHORITY
Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2021

2020-001 *Condition* – Presently, the same individual performs all accounting functions; receives cash payments, makes bank deposits, writes checks and reconciles the monthly bank statements and prepares monthly financial summaries.

Current Status – Condition still exists.

AUTHORITY'S CORRECTIVE ACTION PLAN

CONTINENTAL GATEWAY AUTHORITY

PO BOX 629

PURCELL OK 73080

405-527-3117

Glen Murray, Chairman Terry Daniel, Vice Chairman Wilson Lyles, Member

AUDIT FINDINGS
CORRECTIVE ACTION PLAN

AUDIT YEAR 2020-2021

AUDIT FINDING REFERENCE NUMBER: 2021-01

MANAGEMENT RESPONSE: As CGA Chairman I will strive to meet with the CGA Secretary monthly to account for all financial documentations to help with the risks associated with the lack of segregation of duties.

AUDIT FINDING REFERENCE NUMBER: 2021-02

MANAGEMENT RESPONSE: The Authority was not aware of this statute, and have never had a finding as to having a budget in place, however we will follow up with this finding.



Glen Murray, CGA Chairman

11-8-2021

Date